

Portfolio Breakdown

The following is a breakdown of the Investment Pool holdings for June 2009

	Average (\$000)	% of Portfolio
U.S. Agency Securities	2,261,553	52.4%
Commercial Paper	-	0.0%
Taxable Municipal Securities	15,000	0.3%
Bankers Acceptances	-	0.0%
U.S. Agency Mortgage-backed Securities	61,246	1.4%
Repurchase Agreements	97,300	2.3%
Treasury Securities	708,800	16.4%
Certificates of Deposit & Overnight Deposits	682,632	15.8%
Local Government Investment Pool	490,242	11.4%
Reverse Repurchase Agreements	-	0.0%
Total	\$4,316,773	

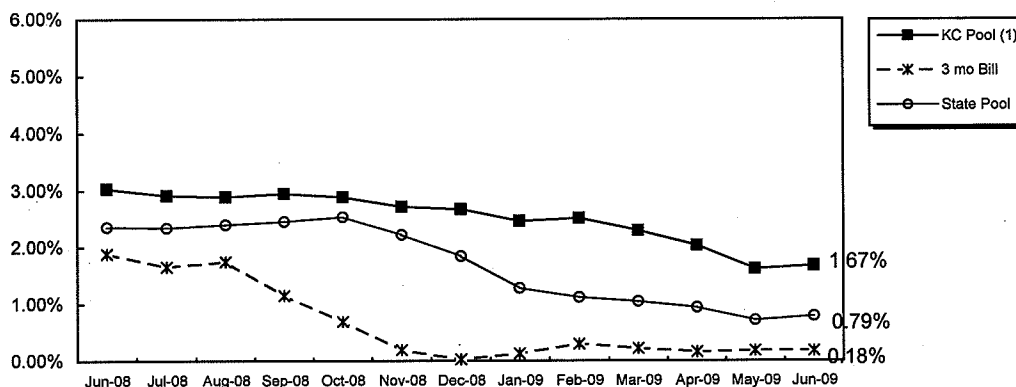
*Average Pool Effective Duration: 0.74 Years

*Duration is a measure of the length of the portfolio's expected cash flows and is a better measure of average portfolio life than maturity.

King County Pool Rating

In January 2008, the rating of the King County investment pool was temporarily suspended by Standard & Poor's pending further information being available on the outcome of restructuring proposals associated with each impaired investment. Three of four restructurings have been completed in 2008 with one remaining in 2009. King County has initiated discussions with S&P to restore the pool's AAA rating and anticipates action during 2009.

Investment Pool Performance (before Pool fees)



(1) King County Pool Distribution rate has not been adjusted yet for realized losses from impaired commercial paper investments.

Pool Net Asset Fair Value on June 30, 2009

Net Assets (2)	4,230,532,488.15
Net Assets Consist of:	
Participant units outstanding (\$1.00 par)	4,206,055,960.17
Undistributed and unrealized gains(losses)	24,476,527.98
Net Assets	4,230,532,488.15
Net asset value at fair value price per share (\$4,230,532,488.15 divided by 4,206,055,960.17 units)	<u>1.0058</u>

(2) Excludes impaired assets that have been separated into a separate pool.

Performing Pool Comments: June's average pool balance decreased by about \$500 million. This is a normal seasonal pattern related to the large debt service payments and property tax distributions that regularly occur during June. The pool's assets continued to be heavily weighted toward U.S. Treasury and agency securities. There was not a large change in the composition of the pool's assets from the prior month, but the percentage of U.S. Treasury securities slightly increased, while the allocation to repurchase agreements decreased.

During June market interest rates remained near historically low levels, and we continue to expect rates to remain low. This outlook for low rates was confirmed by the Fed's statement at its June meeting. Their statement said that economic conditions were likely to warrant low interest rates for an extended period. Even though interest rates were low in June, the pool's rate actually improved slightly from May's rate. This was mostly due to the decrease in the pool's balance during June. Short-term rates were less than 0.5%, and having less money placed at these low rates helped stabilize the pool's rate. We expect that the rate will be close to current levels over the next few months, but as higher yielding securities mature, we will see the rate gradually decrease as time passes. We will not see a change in this downward trend until economic conditions improve, and most economists and market indicators currently believe that this will now not occur until mid-2010.

The pool's duration increased slightly from May to June. This was partially due to the reduction in the amount short-term funds being held by the pool. As mentioned earlier, June is a typically a time when the pool's balance decreases and having fewer short-term investments in the pool results in the pool's average duration increasing. Given the economic forecast for slow growth and low interest rates, we have added some securities in the 2 to 3 year sector, and this also contributed to the slight lengthening of the pool's average duration.

We are continuing the strategy of investing the pool's assets in securities that have the support of the Federal government: U.S. agency obligations, U.S. Treasury securities, 100% collateralized certificates of deposit, and savings accounts that are fully insured by the FDIC. We continue to consult regularly with our investment consultant, PFM, and they concur with our current strategy. King County also remains committed to sharing information with pool members about investment holdings. Please call the Treasury Operations number at 206-296-7326 if you have questions or need any additional information.

**Impaired Pool Holdings Report
6/30/2009**

Commercial Paper Issuer	Status	Current Book Value	Estimated Future Cash Recovery	Estimated Future Unrealized Loss
Mainsail II (1)	Restructured	3,022,926.58	782,000.00	2,240,926.58
Cheyne Finance (1)	Restructured	787,502.14	507,750.00	279,752.14
Rhinebridge (1)	Restructured	1,885,308.88	1,134,600.00	750,708.89
Victoria Finance (2)	Restructuring In Progress	40,864,208.77	8,528,000.00	32,336,208.77
Total		46,559,946.37	10,952,350.00	35,607,596.38

Certificates of Deposit & Overnight Deposits

Fair Value Ratio	0.2352
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(1) These amounts are related to cash that was retained for DTC indemnifications and other reserves. It could be as long as 2014 before these "tail" amounts are returned to investors, and it is possible that the amount recovered may be less than the estimate.

(2) Victoria Finance restructuring is not complete. These estimates are based on market price from a single dealer willing to provide a quote. Victoria's trustee has not yet released June's report, but as of May 29, 2009 the intrinsic value estimate from the King County Pool's proportionate share was about \$17.4 million, excluding the recent cash payments, and this is materially higher than the \$8.5 million single dealer valuation for June.

Impaired Pool Comments:

The vast majority of the amount remaining in the impaired pool as of June 30th is associated with Victoria, the one investment waiting for restructuring. Victoria continues to make regular monthly distributions, and we received a June payment of \$475,853.92. In early July we received another payment of \$486,035.24 that is not reflected in June's numbers above. The trustee for the Victoria restructuring has informed us that because of the complex nature of the legal work surrounding the restructuring, it now looks like the restructuring will not be completed until the fourth quarter of 2009. However, the monthly cash distributions will continue at least until the restructuring process is concluded.

The June dealer price was the same as May's quote. Pricing for impaired investments has been difficult to obtain because of the illiquid nature of these securities, and we may see larger price swings in future months. Victoria's trustee has not yet released its report for June, but adding the cash recoveries through June to the June dealer price (16%) results in an estimated recovery rate to senior investors of about 40%.

The King County Executive Finance Committee approved bifurcation of the investment pool so that the impaired investments would be in their own pool separate from the main pool of "performing" investments. The effective date of the bifurcation was September 1, 2008 (this date was selected based on input from pool members). The reasons for bifurcating the pool were to: (1) ensure the yield on the performing assets is not negatively impacted by the impaired investments; (2) enhance transparency about the value of the performing pool and the impaired pool; (3) ease the implementation of the restructuring processes for the impaired investments; and (4) expedite the restoration of the Standard & Poor's rating for the performing pool.

There are also "tail" payments from the other three completed restructurings (Cheyne, Rhinebridge and Mainsail) that will remain bifurcated until such time that we receive future cash payments and convert the remaining unrealized losses into realized losses.